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State of Minnesota

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HOUSE OF REPRESENTATIVES

EIGHTY-SIXTH SESSION

HOUSE FILE No. 3359

March 4, 2010

Authored by Nelson

The bill was read for the first time and referred to the Committee on State and Local Government Operations Reform, Technology and Elections

March 22, 2010

Committee Recommendation and Adoption of Report:

To Pass as Amended

Read Second Time

1.1 A bill for an act
1.2 relating to local government; authorizing Hennepin County to purchase energy
1.3 under forward pricing mechanisms; proposing coding for new law in Minnesota
1.4 Statutes, chapter 383B.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. [383B.1588] ENERGY FORWARD PRICING MECHANISMS.

1.7 Subdivision 1. Definitions. The following definitions apply in this section.

1.8 (a) "Energy" means natural gas, heating oil, diesel fuel, unleaded fuel, or any other
1.9 energy source, except electric, used in Hennepin County operations.

1.10 (b) "Forward pricing mechanism" means either:

1.11 (1) a contract or financial instrument that obligates Hennepin County to buy or sell a
1.12 specified amount of an energy commodity at a future date and at a set price; or

1.13 (2) an option to buy or sell the contract or financial instrument.

1.14 Subd. 2. Authority provided. Notwithstanding any other law to the contrary,
1.15 the Hennepin County Board of Commissioners may use forward pricing mechanisms
1.16 for budget risk reduction.

1.17 Subd. 3. Conditions. (a) Forward pricing transactions made under this section must
1.18 be made only under the conditions in this subdivision.

1.19 (b) The amount of energy forward priced must not exceed the estimated energy
1.20 usage for Hennepin County operations for the period of time covered by the forward
1.21 pricing mechanism.

1.22 (c) The holding period and expiration date for any forward pricing mechanism must
1.23 not exceed 24 months from the trade date of the transaction.

2.1 (d) Separate accounts must be established for each operational energy for which
2.2 forward pricing mechanisms are used under this section.

2.3 Subd. 4. **Written policies and procedures.** Before exercising authority under
2.4 subdivision 2, the Hennepin County Board of Commissioners must have written policies
2.5 and procedures governing the use of forward pricing mechanisms.

2.6 Subd. 5. **Oversight process.** (a) Before exercising authority under subdivision 2,
2.7 the Hennepin County Board of Commissioners must establish an oversight process that
2.8 provides for review of the county's used of forward pricing mechanisms.

2.9 (b) The process must include:

2.10 (1) internal or external audit reviews;

2.11 (2) annual reports to, and review by, an internal investment committee; and

2.12 (3) internal management control.

2.13 **EFFECTIVE DATE.** This section is effective without local approval the day
2.14 following final enactment as provided under Minnesota Statutes, section 645.023,
2.15 subdivision 1, paragraph (a).